Financial Health of Community-Based Development Organizations

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Research Process Overview
Identifying CBDOs

Partner & public agency lists

EIN lookup

Excluded organizations

CBDO population
Analyzing current financial health (2018)

Current CBDOs

By Size

By Region

By Land, Buildings & Equipment Holdings
Analyzing financial health over time (2001-2019)

Panel of CBDOs
Key Findings
Summary of Key Findings

▪ **Over time**: The CBDO sector has grown steadily

▪ **By size**: Large CBDOs (by expenses) hold most of the sector’s resources; small CBDOs are in a more precarious financial position

▪ **By region**: Western CBDOs are larger, more financially robust; Southern CBDOs have cash on hand but fewer leveraged assets

▪ **By real estate holdings**: CBDOs with a high share of assets in real estate are more leveraged & face insolvency but have more stable cash flow than CBDOs with a low share
Basic Sector Characteristics – Today and Over Time
Number of CBDOs per 100,000 people below poverty
Sector characteristics today (2018)

Experience

- Average age: 28.4 years
- Average no. of staff: 41

Funding Flows

- Total revenues: $27.7 billion
- Total expenses: $23.8 billion

Leverage & Liquidity

- Total assets: $54.3 billion
- Total liabilities: $27.5 billion
Sector characteristics over time (2001-2019)
Differences by Organizational Size, 2018
Defining CBDO size quartiles

- **Small**: $0 to $266,549
- **Mid-small**: $266,581 to $854,080
- **Mid-large**: $854,515 to $3,329,914
- **Large**: $3,330,877 to $479,000,000

Quartiles based on 2018 expenses

1,430 CBDOs in each size quartile
## Average CBDO characteristics by size, 2018

<table>
<thead>
<tr>
<th></th>
<th>Experience</th>
<th>Funding Flows</th>
<th>Leverage &amp; Liquidty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age (average)</td>
<td>Number of Staff (average)</td>
<td>Revenues (average)</td>
</tr>
<tr>
<td>Small</td>
<td>20.2</td>
<td>1.2</td>
<td>$154,237</td>
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<tr>
<td>Mid-small</td>
<td>24.6</td>
<td>4.8</td>
<td>$600,542</td>
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<tr>
<td>Mid-large</td>
<td>29.6</td>
<td>21.2</td>
<td>$1,979,779</td>
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<td>Large</td>
<td>37.9</td>
<td>131.8</td>
<td>$10,400,000</td>
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</tbody>
</table>
Large CBDOs compared to small CBDOs

Funding Flows
- More donation income
- Less months of cash on hand
- Fewer have sudden drops in revenues/expenses

Leverage & Liquidity
- Higher assets
- Higher level of debt
- Lower insolvency rate
Differences by Region, 2018
Defining Census regions

West
1,105 CBDOs

Midwest
1,535 CBDOs

Northeast
1,396 CBDOs

South
1,670 CBDOs
Regional differences often reflect size of CBDOs in region
### Average CBDO Characteristics by Region, 2018

<table>
<thead>
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</thead>
<tbody>
<tr>
<td></td>
<td>Age (average)</td>
<td>Number of Staff (average)</td>
<td>Revenues (average)</td>
</tr>
<tr>
<td>Midwest</td>
<td>29.64</td>
<td>41.8</td>
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<tr>
<td>Northeast</td>
<td>29.83</td>
<td>41.8</td>
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<tr>
<td>South</td>
<td>27.05</td>
<td>38.1</td>
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<tr>
<td>West</td>
<td>26.86</td>
<td>44.7</td>
<td>$3,970,307</td>
</tr>
</tbody>
</table>
Notable regional differences

Funding Flows

West & Northeast rely more on earned income

Midwest & South rely more on donations & struggle with cash on hand

Leverage & Liquidity

West is more highly leveraged

Midwest struggles more with short-term liquidity
Differences by Land, Buildings, and Equipment Holdings, 2018
Defining CBDOs by land, buildings, and equipment holdings

- **Low share**: all CBDOs that fall below the median share for their size group. The group averages 10% of their total assets in land, building, and equipment holdings.

- **High share**: all CBDOs that fall above the median share for their size group. The group averages 73% of their total assets in land, building, and equipment holdings.

Share of total 2018 assets in land, buildings, & equipment

Median value for each organizational size group

Two equal groups of 2,860 CBDOs, splitting at median
High share CBDOs compared to low share CBDOs

Tighter operating margins & less cash on hand
Higher earned income & steadier revenues & expenses
Hold more debt & have less liquidity
1 out of 5 were insolvent in 2018
Sustaining and Growing the Sector’s Financial Health
Expanding CBDO capacity

It will take effort to ensure existing supports for CBDOs are targeted to address risks and vulnerabilities, and explore any needed changes or expansions

- **Funders**: Take a close look at the current realities and trends in CBDO financial health and ask themselves where they can help fill gaps for CBDOs at risk.

- **Technical assistance providers**: Tap existing training and technical assistance programs to address specific financial challenges.
Filling knowledge gaps

This study answers some questions, but additional research could fill additional gaps, including:

- Putting CBDO work in clearer context **geographically** to see concentrations and coverage gaps
- Understanding **CBDO primary activities** and effects on financial health
- Expanding **interpretations** and findings through qualitative research
The Grounding Values Study

https://www.urban.org/projects/grounding-values-cbdos